

Message Text

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TAGS: EMIN, CA

SUBJ: SASKATCHEWAN POTASH: PROVINCE BUYS THIRD MINE,
DEMURS ON FOURTH

REF: WINNIPEG 212, WINNIPEG A-6

1. PROVINCE-OWNED POTASH CORPORATION OF SASKATCHEWAN (PCS) HAS ANNOUNCED AGREEMENT TO PURCHASE ALWINSAL POTASH OF CANADA LTD MINE FOR CANADIAN DOLS 76.5 MILLION. DOLS 20 MILLION WILL BE PAID IN FORM OF A NOTE AND PCS WILL ASSUME ALWINSAL'S CURRENT TAX LIABILITY HAS A CONVENIENCE-. TAXES OWED WERE TAKEN INTO CONSIDERATION IN DETERMINING SALE PRICE.

2. ALWINSAL MINE, LOCATED AT LANIGAN, SASK, HAS RATED CAPACITY OF ONE MILLION TONS (MURIATE OF POTASH), AND IS OWNED BY KALI UND SALZ OF WEST GERMANY AND ENTERPRISE MINIERE ET CHIMIQUE OF FRANCE. PURCHASE DID NOT RPT NOT INCLUDE ALWINSAL'S OFF-SHORE SALES SUBSIDIARY "POTACAN" WHICH WE UNDERSTAND PROVINCE WAS ANXIOUS TO BUY.

3. PURCHASE OF THIS THIRD MINE WILL BRING PROVINCE CONTROLLED SHARE OF POTASH INDUSTRY TO ALMOST 25 PER CENT.
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PROVINCIAL GOVERNMENT'S OBJECTIVE IS TO HAVE "EFFECTIVE CONTROL" I.E. ABOUT 50 PER CENT CONTROL, BY END OF 1977.

4. ANNOUNCEMENT OF ALWINSAL ACQUISITION FOLLOWS A DECISION BY PCS AT END OF JUNE NOT RPT NOT TO ENTER INTO NEGOTIATIONS FOR PURCHASE OF CENTRAL CANADA POTASH MINE (OWNED 51 PER CENT BY NORANDA LTD AND 49 PER CENT BY C.F. INDUSTRIES OF LONG

GROVE, ILL.) SOURCES WERE RELUCTANT TO GIVE SPECIFIC REASONS FOR DECISION, BUT APPARENTLY EVALUATION PROCESS (WHICH REPORTEDLY COST DOLS 300,000) CONVINCED PCS IT COULD NOT OFFER AS MUCH MONEY AS MINE OWNERS EXPECTED.

5. WITH CENTRAL CANADA POTASH MINE REMOVED FROM LIST OF POSSIBLE ACQUISITIONS, NEXT PROBABLE TARGET IS ALLAN MINE RATED AT 1.5 MILLION TONS CAPACITY). EVALUATION OF ALLAN HAS BEEN COMPLETED AND NEGOTIATIONS ARE EXPECTED TO BEGIN IN AUGUST.

6. ASSUMING ALLAN DEAL IS CONSUMMATED, THIS WOULD GIVE PCS ABOUT 36 PER CENT OF CAPACITY OF POTASH INDUSTRY INSASKATCHEWAN --OR ABOUT TWO MILLION TONS SHORT OF OBJECTIVE.

7. OF REMAINING PRIVATE MINES, INTERNATIONAL MINING AND CHEMICAL (IMC) WITH TWO MINES (RATED AT 2.1 AND 1.7 MILLION TONS RESPECTIVELY) IS ONLY SINGLE OPERATION THAT HAS ENOUGH CAPACITY TO ENABLE PCS TO ACQUIRE EFFECTIVE CONTROL. SPOKESMAN FOR PCS, HOWEVER, DECLINED TO INDICATE WHETHER ANY OTHER POTASH COMPANIES HAVE BEEN CONTACTED RE POSSIBLE EVALUATION. ANY SUCH INFORMATION, SHOULD EVALUATION PROCESS BE AGREED UPON, WOULD BE RELEASED JOINTLY BY PCS AND AFFECTED MINE.

8. OTHER POSSIBILITIES TO ACHIEVE 50 PER CENT OBJECTIVE ARE TO EXPAND PRODUCTION OF MINES ALREADY ACQUIRED (AS IN THE CASE OF DUVAL), OR TO ENTER INTO JOINT VENTURES, SOMETHING THE UNCLASSIFIED

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PROVINCE HAS INDICATED A WILLINGNESS TO DO, BUT WITH NO TAKERS SO FAR.
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